

DISCLAIMER

This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the [Clerk of the Commission, Document Control Center](#).

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 4, 2000

PETITION OF

AQUASOURCE UTILITY, INC.,

INDIAN RIVER WATER COMPANY,

and

CASE NO. PUA990077

THE SIMON FAMILY FOUNDATION

For approval of a change of control of
a Virginia water public utility company

ORDER GRANTING APPROVAL

On December 9, 1999, AquaSource Utility, Inc. ("AquaSource," the "Company"), Indian River Water Company ("Indian River"), and The Simon Family Foundation ("The Foundation") (collectively, the "Petitioners") filed a petition under the Utility Transfers Act requesting approval for AquaSource to acquire from The Foundation all the stock of Indian River. Indian River also requests approval to transfer certain utility assets to the City of Virginia Beach, Virginia (the "City"). In addition, Petitioners request the Commission to approve any necessary and conforming changes to Indian River's certificate of public convenience and necessity.

Indian River is a Virginia small water company governed by Chapter 10.2:1 of Title 56 of the Code of Virginia and provides water and sewer service to households in the Cities of Chesapeake and Virginia Beach, Virginia. Indian River currently serves approximately 680 customers.

AquaSource is a wholly owned subsidiary of AquaSource, Inc., which is in turn a wholly owned subsidiary of DQE, Inc., a publicly traded utility holding company.

AquaSource is headquartered in Houston, Texas, and has several other offices in various areas of the country. DQE, Inc., the parent company of AquaSource, Inc., is a Pennsylvania based energy service company and the parent of Duquesne Light Company. AquaSource and AquaSource, Inc., report their financial data on a consolidated basis with DQE, Inc.

AquaSource proposes to purchase, from The Foundation all of the issued and outstanding stock of Indian River. Upon consummation of the transaction, Indian River will become a wholly owned subsidiary of AquaSource and will continue to operate as a separate Virginia small water company. The Company will provide operation, maintenance, and other services to Indian River by contract.

As agreed by AquaSource and The Foundation, AquaSource will pay The Foundation \$600,000.00 in cash for Indian River's stock, as adjusted pursuant to the Stock Purchase Agreement. In accordance with a previous agreement Indian River will transfer its Virginia Beach water assets to the City. The purchase price of \$252,000.00 was established for such assets pursuant to arm's length negotiations between Indian

River and the City. Since such negotiations were concluded prior to the commencement of negotiations between AquaSource and Indian River, AquaSource has agreed to honor Indian River's agreement with the City.

AquaSource represents that it plans to provide Indian River's customers with system improvements with no change in customers' current water rates. Additionally, the Company represents that it projects eventual cost savings to be in excess of \$60,000.00 per year.

THE COMMISSION, upon consideration of the petition and representations of the Petitioners and having been advised by its Staff, is of the opinion and finds that the above-described transfer of control and transfer of assets will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should be approved. Upon the closing of the transaction between Indian River and the City, we will make the necessary changes to Indian River's certificate in another proceeding (Case No. PUE000084). Accordingly,

IT IS ORDERED THAT:

1) Pursuant to §§ 56-88.1 and 56-90 of the Code of Virginia, AquaSource Utility, Inc., is hereby granted approval to acquire control of Indian River Water Company under the terms and conditions and at the price of \$600,000.00, as adjusted pursuant to the Stock Purchase Agreement described herein.

2) Pursuant to §§ 56-89 and 56-90 of the Code of Virginia, Indian River Water Company is hereby granted approval to transfer certain utility assets to the City of

Virginia Beach at a price of \$252,000.00, under the terms and conditions described herein.

3) The approval granted herein shall have no ratemaking implications.

4) The approval granted herein shall in no way be deemed to include the recovery for ratemaking purposes of any portion of the consideration paid in excess of the rate base at the time of closing, either through an acquisition adjustment or any other type of adjustment.

5) Indian River shall file a Report of Action with the Commission on or before April 7, 2000. Such report shall contain the date of transfer, the sales price, and all accounting entries reflecting the transfers. Such report shall also be filed in Case No. PUE000084.

6) Indian River shall provide usage figures to the Division of Energy Regulation for the six- (6) month period following the close of transaction with the City.

7) Indian River shall provide the Division of Energy Regulation with a remedial plan if it continues to exceed the permitted capacity.

8) There appearing nothing further to be done in this matter, it hereby is dismissed.